

**Subject: Financial Accounting**

**Class: B.Com IV Sem**

**Topic Name: Liquidation of Companies**

**Q1.** Yogesh and Bhavesh co.ltd. went into voluntary liquidation on 1<sup>st</sup> Jan.,2007.

Their Balance Sheet on that date was as follows.:-

Balance Sheet as on 1-1-2007

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Share Capital		Cash	20,000
20,000, 5% Pref. Shares of ₹100 each	20,00,000	Debtors	8,00,000
20,000 Ordinary Shares of ₹100 each	20,00,000	Sundry Assets	45,18,000
6% Debentures	5,00,000	Profit and Loss	2,12,000
Creditors	10,50,000		
	55,50,000		55,50,000

Additional information:-

- (i) Liquidator recovered ₹38,50,000 from debtors and from sale of all the assets.
  - (ii) Dividend on preferential shares is paid up to 31<sup>st</sup> Dec.2005
  - (iii) Debentureholders were paid on 30<sup>th</sup> June,2007 with interest upto the date of payment.
  - (iv) Liquidation Expenses were ₹39,000
  - (v) Liquidator is entitled to receive commission at 2% on money collected (including cash) by him.
  - (vi) Creditors for ₹50,000 were preferential.
- Prepare Liquidator's Final Statement of account.

Ans 1:

Yogesh & Bhavesh Co. Ltd

Liquidator's Final Statement of Account as on 31<sup>st</sup> December 2008

<i>Receipts</i>	₹	<i>Payments</i>	₹
1.To Cash	20,000	1.By Fully Secured Creditors	--
2. To Assets realized	38,50,000	2.Liquidation Exp.	39,000
		3.Liquidators Comm.	
		(i)2% on amt Realised (3870000)	77,400
		(ii) x% on payment to Pre.creditors & Unsecured Creditors	
		4.By Pre. Creditors	50,000
			5,00,000
		5.By Debenture holders	<u>15,000</u>
		Add Interest o/s	5,15,000

			6. By Unsecured creditors		10,00,000
			7. Preferential Share Capital	20,00,000	
			Add Dividend	<u>1,00,000</u>	21,00,000
			8. Ordinary Share Capital @ `4.43 per share		88,600
		38,70,000			38,70,000

Q2. Following was the Balance Sheet of Janata Ltd., as on 31<sup>st</sup> March, 2005:

Balance Sheet

Liability		Assets	
Share Capital :		Goodwill	2,24,000
2000, 8% Preference shares of ` 100 each fully paid	2,00,000	Land & Buildings	4,36,000
4000 Equity shares of ` 100 each ` 80 paid up.		Plant & Machinery	1,80,000
6000 Equity shares of ` 100 each Rs. 70 paid up.	3,20,000	Furniture	20,000
8% Debentures (having a floating charge on all assets)	4,20,000	Office equipment	40,000
Debenture interest		Stock	1,98,000
Creditors	2,00,000	Debtors	1,70,000
	8,000	Bills receivables	44,000
	3,20,000	Cash in hand	16,000
		Profit & Loss a/c	1,40,000
	14,68,000		15,95,000

The company went into Voluntary Liquidation as on that date :

- The preference dividend was in arrears for 3 years and as per the articles it was to be returned before returning Equity Capital.
- Sundry creditors include a Loan of ` 80,000, secured on the hypothecation of Plant & Machinery and preferential creditors of ` 20,000.
- The liquidator realized the assets as follows:

Land & Building	4,30,000
Plant & Machinery	1,00,000
Office equipment	25,000
Furniture	16,000

Stock	1,40,000
Debtors	1,20,000
Bills receivable	28,000

(iv) Legal charges on liquidation amounted to ` 2,000. The Liquidation Expenses were ` 5,200. The Liquidator's remuneration was fixed at ` 2000 plus 2% on sale of assets, plus 4% on the amount distributed to unsecured creditors including preferential creditors.

(iv) There was a typewriter which was completely written off from the books of accounts but Liquidator sold it for ` 1000, which was not included in the amount of office equipment above.

(v) Prepare Liquidators Final Statement of account if the amount were paid on 30 June 2005.

Ans:

Janata Co. Ltd

Liquidator's Final Statement of Account

Receipts		`	Payments		`
To Cash		16,000	1. By Fully Secured Creditors		80,000
2. To Assets realized			2. Liquidation Exp.		5,200
Land & Building	4,30,000		Legal charges		2,000
Plant & Mach.	1,00,000		3. Liquidators Comm.		
Office equipment	25,000		(i) 2% on amt Realised	2,000	
Furniture	16,000		(ii) 2% on payment to	<u>17,200</u>	19,200
Stock	140,000		Unsecured Creditors		
Debtors	1,20,000		4. By Pre. Creditors		9,600
Bills receivable	28,000		5. By Debenture holders	2,00,000	20,000
Typewriter	<u>1,000</u>	8,60,000	Add Interest o/s	<u>12,000</u>	
			8,000+4,000		2,12,000
			6. By Unsecured creditors		2,20,000
			7. Preferential Share Capital	2,00,000	
			Add Dividend	<u>48,000</u>	
			8. Ordinary Share Capital		2,48,000
			@ per share		60,000
		8,76,000			8,76,000